

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

T2, 2018/ 2019

### BCM7124 – CHANGE MANAGEMENT (MBA Full Time)

1 FEBRUARY 2019  
9.00 a.m – 12.00 p.m  
(3 Hours)

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#### INSTRUCTIONS TO STUDENTS

1. This question paper consist of **FIVE (5)** pages (including the cover page).
2. **Answer ALL questions.** The distribution of the marks for each question is given.
3. Write all your answers in the **Answer Booklet** provided.

**Answer ALL Questions****Question 1****Case Study: Chipping Away at Intel (50 marks)**

Craig R. Barrett sat reflecting on the fact that he was halfway through his tenure as the fourth CEO of Intel—only another three more years to go until his mandatory retirement age would be reached. He had come into an organization that Andrew S. Grove, chairman of Intel, had shaped into a major global technology company. He had replaced Gordon E. Moore but retained his principle of doubling microprocessor performance every 18 months while at the same time making it progressively cheaper. In this context, what would be Barrett's legacy?

When Barrett came in three years ago, he took some bold moves, taking Intel beyond chip making for PCs into the production of information and communication appliances as well as services related to the Internet. Trouble is, the company was now in the worst shape that it had been for many years. Of course, every technology company had been affected by September 11, 2001; the slowing economy; and the potential threat of war with Iraq. But in Intel's case this had been compounded with problems such as product delays and shortages, recalls, overpricing, and even bugs in its systems. Analysts were predicting that by the end of the year, Intel's share of the PC chip market would be 9 percent worse than when Barrett had taken over three years earlier.

He had ploughed money into new markets—but then had to withdraw from these. For example, Intel withdrew from the production of network servers and routers after copping flak from Dell and Cisco, its biggest customers for its chips, for directly competing with them in these other markets. He also closed down iCat, which was an e-commerce service for small businesses, providing Web broadcasting of shareholder meetings, and cut back on Web-surfing applications except in Spain. In Barrett's mind, most of these withdrawals were a direct result of the downturn in the economic conditions generally. There were also weak demand and overcapacity in the semiconductor industry with some researchers expecting a 34 percent fall in global sales of chips. Moreover, long-time rival Advanced Micro Devices had produced its Athlon processor chip, which turned out to be faster than Intel's Pentium III chip. At the same time, people seemed to be more interested in how fast their modem connection was than in the speed of their computer chip. And September 11, 2001, hadn't helped; before this catastrophe, Intel's shares, at \$26, were down 60 percent compared to their highest over the previous year. After September 11 they fell further—by October they were only \$20.

Barrett felt that in this competitive and segmented market, Intel needed to be reorganized to make it more nimble. It also needed to be reorganized to avoid duplication and create better coordination. For example, the network operations group and the communications unit sometimes were in competition with each other, selling similar products to the same customers. Barrett engaged in a series of reorganizations during his first three years. In 1999 he created a new wireless unit that combined new acquisitions such as DSP Communications Inc. (a chipset supplier for

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digital communications) with Intel's flash memory operations. In his second year, Barrett created the Architecture Group, which combined development and manufacturing of core processors. In his third year, he reorganized the Architecture Group and created a new unit consisting of a merger of communications and networking operations. For Barrett, these reorganizations were needed to enable decentralization and delegation of decision making—all designed to make the company better coordinated and more nimble.

But there was so much reorganization over these years, trying to get the structure to work, that some commentators saw it as “shuffling execs like cards in a deck.” Following the March 2001 restructuring, with up to 80 percent of the staff in the micro-processing unit being given new jobs, one customer thought that people seemed to be moved around a lot without them really knowing where they were going. A former general manager saw Intel as now “dabbling in everything and overwhelming nothing.” Other commentators claimed that another problem was that chip managers were now being put in charge of new markets and products about which they know very little – a charge denied by Barrett. There were also job cuts, with 5,000 jobs lost through attrition during 2001-and more expected.

At the same time, Barrett wanted to change the culture of Intel, drawing on outside consultants to assist him in the process. He wanted to move the mindset of Intel toward better customer relations and away from a perspective of being the only real competition in the marketplace. Strategically he decided to invest in research and development into new production technologies in order to cut chip-marketing costs. Reflecting on his time ahead, Barrett hoped that he would be able to increase sales and pull out in front of his competitors through these investments. But the jury was still out at this point: What would be his legacy by the time he retired?

*(Source: Edwards and Sager, 2001, Business Week)*

Based on the above case study, answer the following questions:

- a) Did Intel undergo either first-order and/or second-order change? Explain the different changes at Intel over the first three years of Barrett's tenure. (10 marks)
- b) From the perspective of fashion, mandate, reputation, geopolitics and hypercompetition, which environmental pressures for change were experienced by Intel? (10 marks)
- c) From the perspective of growth, integration and coordination, power and politics, corporate identity and new chief executive, which internal organisational change drivers were experienced within Intel? (10 marks)
- d) What are the other challenges for change you can identify from the case? (10 marks)

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- e) Do you think resistance of change can bring disadvantages and/or benefits to Intel?  
(10 marks)

**[TOTAL 50 MARKS]**

## Question 2

- a) There are three ways to develop visions, i.e. crafting the vision, questions that help to develop the vision, and connecting the vision to the organisation's inner voice. Briefly discuss the three different methods used in setting questions to develop vision as proposed by Holpp and Kelly (1988).  
(15 marks)
- b) Kodak invented the first digital camera in 1975 and the first megapixel camera in 1986. So why did the development of digital photography drive Kodak to bankruptcy in 2012? In 1975, the costs of this new technology were high and the image quality was poor. Kodak believed that it could take at least another ten years before digital technology began to threaten their established camera, film, chemical, and photo printing paper business. That forecast proved to be accurate, but rather than being prepared, Kodak decided to improve the quality of film, with sustaining innovations. With hindsight, it is easy to spot the mistake. But the market information available to management from the 1970's through the 1990s, combined with the company's financial performance, made the switch to digital appear risky. In 1976, Kodak accounted for 90 percent to film and 85 percent of camera sales in America. Kodak's annual revenues peaked in 1996, at \$16 billion; profits in 1999 were \$2.5 billion. However, success encouraged complacency and reinforced confidence in the brand. Analysis noted that it might be unwise to switch from making 70 cents on the dollar with film, to 5 cents with digital. But by 2011, Kodak's revenues had fallen to \$6.2 billion, and the company was reporting losses. Kodak's competitor, Fuji, recognized the same threat and decided to switch to digital while generating as much return as possible from film and developing new lines of business, including cosmetics based on chemicals used for film processing. Both companies had the same information, but they came out to different assessments, and Kodak was too slow to respond. By the time Kodak began to develop digital cameras, mobile phones with built-in digital cameras had become popular. Kodak invented the technology but did not recognize just how disruptive an innovation digital would prove to be, making their traditional business obsolete. (The Economist, 2012)

If you were the Kodak's top management, discuss the five habits that Kodak's change manager should seek to develop and implement disruptive innovations to Kodak.

(10 marks)

**[TOTAL 25 MARKS]**

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**Question 3**

- a) Organisational Development (OD) approach has played a central role in the management of organisational change. An OD practitioner normally uses action research that involves several steps in implementing change process.
- i) What are three main values sets in OD field? (7 marks)
  - ii) Briefly discuss the eight steps in OD approach with an example. (8 marks)
- b) The failure of an intended change is not always a problem that needs to be solved. In fact, a 'productive failure' is one which provides an organisation with valuable lessons. Discuss five practices for building a "psychologically safe environment" in which we learn from failures. (10 marks)

**[TOTAL 25 MARKS]**

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